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FOOD WHOLESALING IN WARTIME

By Dan A. West, Chief, Wholesalers and Retailers Branch
Address before War Council of Wholesale Grocery Executives at a
luncheon at the Drake Hotel, Chicago, Ill., January 27, 1943

There are a number of approaches speakers might take in discussing Food Wholesaling in Wartime: One might decide to give a factual review of figures to show increases in dollar volume or in tonnage. Another might assume the role of prophet and try to foretell the future. Still another might give a detailed analysis of particular operating problems--transportation, priority assistance, labor supply, or others. Obviously, a speaker must first decide upon a particular approach to his subject or he is lost, and his audience with him, in a maze of generalities.

In determining an approach, I must admit I was tempted by the first possibility--the statistical. You will admit that it has the advantage of guaranteeing brevity and avoiding controversy. However, it has important drawbacks for me: You probably are already entirely familiar with the important industry statistics. And the significant figures about the national food picture are to be discussed by another speaker later this morning -- a speaker far better qualified to discuss their significance.

The role of prophet is tempting to anyone and particularly so in wartime. The chief advantage of a speech of prophecy is that it can be made so general, so full of "ifs", that the prophet cannot possibly be proved wrong, even if by some miracle, one of his listeners should chance to remember what he said. So I won't take that approach either.

A detailed analysis of particular operating problems in the wholesale grocery field is better left to you operators. You are familiar with the day-to-day problems which cause the headaches and the sleepless nights--and although I can sympathize, and sometimes help in the solution, I do not pretend to be an expert on the specific details of grocery wholesaling in these war times. As many of you know, my grocery wholesaling days were back in the era of food surpluses, low prices, and intense competition for new customers. There may be a few of you here today who can remember with me those far distant years.

One does not have to be a statistician, a prophet, or an operator to observe some of the important factors which affect grocery wholesaling today, and so it is as an observer of trends that I choose to address you.

First of all, grocery wholesaling is affected by efforts during the months since Pearl Harbor to pare our civilian economy to the bone. We have cut the use of steel in civilian goods to the very minimum--and you have seen the result: Fewer canned goods to sell, no new delivery trucks, no new steel office equipment, etc. In 1942, we used 1,800,000 tons of steel for tin cans. In 1943, we shall use

774,000 tons. This cut may appear very large--but compare it with the cut in steel for automobiles, which dropped from 12,000,000 tons in 1940 to 1,000,000 in 1942. And these figures include steel for trucks, buses, and repair parts.

I think you might like to remember that more steel will go into tin cans in 1943 than went into residential construction for war workers last year--774,000 tons as compared with 700,000 tons.

In our efforts to "cut off the fat," grocery wholesaling has been subjected to relatively minor restrictions. Because food is essential to the war effort, you will be confronted with less drastic changes in your business than is true of other types of enterprise. Nevertheless, I think you may well expect a re-evaluation of each food in terms of its contribution to the food program. Granting that food is essential to the war effort does not automatically mean that we should continue to grow, process, and distribute every food Americans have had on their tables in the past. More and more, we are coming to look critically at production goals to be sure we will obtain the most nutritious foods, to look at processing facilities in terms of alternative uses which would result in more nutritious foods, to look at the distribution facilities tied up in the handling of foods whose nutritive value is low.

So--I would make this observation: The paring-to-the-bone operation includes qualitative evaluation as well as quantity reduction.

My second observation is this: The readjustments in the civilian economy which we have experienced thus far are just now beginning to be felt. Stocks of goods which acted as shock absorbers in past months have been depleted. Furthermore, increased food production in 1941 and 1942 gave us a record supply, and military and lend-lease operations were on a scale which did not eat into our food supplies to a great extent. The pinch thus far has been felt on particular foods, not on food in general. Nor do we expect general shortages of all foods. Nevertheless, we should prepare ourselves for a tighter food situation than we have thus far experienced.

The supply situation is closely tied in with another factor--demand--which is the subject of my third observation: We must recognize that consumer demand due to increased purchasing power is so great that it would be extremely difficult to supply all the food that Americans would buy under the present price ceilings, even if we were not feeding a rapidly expanding Army and shipping food abroad.

Let us examine this elementary concept for a few minutes. The situation reduces itself to these factors: (1) Consumer purchasing power estimated at one hundred and fifteen billion dollars for 1943, the highest in our history, (2) Curtailed or completely restricted production of consumer durable goods--radios, vacuum cleaners, mechanical refrigerators, automobiles--the things for which consumers formerly spent billions of dollars in monthly instalments. These dollars are now diverted to other things--chiefly food, clothing, recreation, and savings. (3) Price ceilings designed to keep down the cost of living.

If any one of these factors should be changed, it would drastically affect the whole picture. Without price ceilings, for example, we would hear much less about "food shortages" in wholesale and retail stocks. If butter were \$2.00 a pound, for example, I am sure there would be larger stocks on hand. If beef went to \$1.50 a pound, you would find a good deal of beef available. True, the people

of this country would know more about actual food shortages--as far as food on the table is concerned. Unfortunately, this kind of shortage is one with which thousands of American families were acquainted in the early 30's.

I want to point out that almost every one in this room has gone through the the experience of having food in stock which was priced too high to be available to thousands of Americans. We can't let that happen in wartime, when the health and strength of our population must be maintained at the highest possible levels. It is my hope that it will not be permitted to happen again in peace time.

Let us see what would happen to our food picture if consumer income were drastically cut--if, for instance it went to 65 billion dollars instead of 115 billion dollars annually. You will recall that during the period between 1935 and 1939 the national income was about 65 billion dollars annually. The amount of food we consumed each year of this period, when purchases for the military were almost nonexistent, was less than we will consume next year. And next year, as you know, about a fourth of our food supply will go for military and Lend-Lease needs. This indicates that the food "shortage" in 1943 will not be an absolute shortage, but a relative one--relative in terms of income, of alternative uses to which this increased income can be put, and of the prevailing price levels. To put this into one sentence: Civilian supplies of food, although large, cannot satisfy the unprecedented levels of consumer demand brought about by high incomes under controlled prices.

Let us take one specific example: Meat. For years an advertising campaign was conducted by the meat packers of this country to encourage increased consumption of meat. A staggering sum was spent in calling consumers' attention to the nutritive value of meat, its fine flavor, and its part in a balanced diet. During this period, the industry's goal was about 130 pounds per person per year. Now, as you know, we have a "Share-the-Meat" campaign designed to limit consumption to 130 pounds per person per year. The explanation is simple: People didn't need to be "educated" to want meat--they needed jobs and sufficient income to buy meat at prices which were favorable in relation to their pay checks. That situation exists now--consequently we are in a position where we must limit meat consumption. It is sad to think that it took a war to bring about full employment, increased income, and unprecedented consumer demand.

I want to emphasize a little more the fact of increased consumer income, for I think it has extreme significance to the food industry. The food industry has a very real interest in the maintenance of high income and full employment in this country, for the industry benefits from these conditions and suffers from their opposites. No member of the industry can afford to dismiss as "impractical," "theoretical," "unrealistic," or "New Dealism" any plan which will bring about full employment and increased consumer income in the post-war period. We must plan, we must expect to make necessary changes in our traditional ways of doing things after the war is over--if our people, and the people of the reoccupied areas are to be fed, and if your industry is to be sound and profitable. This is not theory--it is hard business sense.

I do not mean to imply that all this planning must come from the Government. It will require the best thinking of business and of Government, and the best cooperation between the two. It cannot be accomplished by either Government alone or by business alone.

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The fourth - and last - observation on my list is this: Food wholesalers in wartime are faced with a multiplicity of problems, but in many cases they are substitutes for, rather than additions to, your old problems. When I was in the food business the problems were those of bitter competition for new business, of getting rid of goods, of competition with a new idea or some variation on an old idea, of competition for business regardless of the cost of securing it, of unprofitable territories maintained largely for prestige. I well recall one year when we proudly boasted of the fact that we had accepted full delivery of all contracts, in spite of severe market declines. Many of you, to insure volume, entered the retail field and added its inevitable headaches. Likewise the cash and carry chain retailer opened wholesale establishments in many territories with telling effect upon volume and profits.

Now your problems are different: Instead of urging retailers to buy your merchandise, you are busy explaining why you can't give them all they want of certain goods. Instead of worrying about having to lay men off, you are struggling to find replacements for those called into the service. Instead of courting new business, you are refusing it. Many retailers who left the jobbers' fold in the 30's are back now - or would like to be.

The function of your salesmen has changed. Instead of convincing retailers that they should buy from you, your salesmen are busy explaining conservation and limitation orders, rationing, and price ceilings. And may I say right here that this educational function is one of the most important services you can render in wartime. You have built your businesses on the premise that you perform a service for the retailer -- a service he cannot do without. Today this service function is a specialized one, with heavy emphasis on explanation, interpretation, and education. You have superior facilities for doing a fine patriotic task, and I know you can meet the challenge. The retailer's attitude toward the economic controls necessary in wartime is in large part a reflection of your attitude. The responsibility for a thorough knowledge of regulations, for an honest explanation of whatever allocations you make, and for a cooperative, helpful attitude toward the retailer's problems -- all these responsibilities are yours in wartime.

Now I realize there may be only cold comfort in the thought that wholesaling has always had its problems, and doubtless always will have them. The point I am making is this: You have tackled tough situations in the past and have come up with the answers. The thing at stake then was your business organization and the money you had put into it.

Now we are faced with even tougher problems -- and the stake is unspeakably greater. It is the safety and welfare of our entire Nation -- it is our right to continue as a Nation of free men. No sacrifice can be too great, no task too arduous to achieve that goal.

I am not overstating the case when I say that a breakdown in our food distribution system would jeopardize the entire war effort. Our soldiers must be fed, our allies must be fed, and our civilian population must be fed or we cannot win this global war in which we are engaged.

For most of you, the feeding of civilians is the direct task. This in no way detracts from the fact that yours is a war job. Already 17 1/2 million workers are directly engaged in the production of war materials, and 20 million are expected to be so occupied before the end of 1943. The day is rapidly approaching when all able-bodied Americans will be soldiers -- either in uniform with the Army, Navy, or Marine

Corns--or non-uniformed soldiers of production. In making food available to either of our types of soldiers, you are performing war work. Let's perform it efficiently, cheerfully, and well.

In the Food Distribution Administration we have set up a Wholesalers and Retailers Branch. Unlike some Government offices, this Branch's name indicates its function very clearly. Our job is to serve as a clearing house for the problems of food wholesalers and retailers, to serve as a focal point in Washington to which you can bring your troubles, to represent the interests of wholesalers and retailers in the Food Distribution Administration, and to set up industry advisory committees so that we may avail ourselves of your counsel from time to time and relay information to the trade through these committees. We shall have to draft regulations now and then which will affect your business. We intend to administer those orders as equitably as we know how.

Because of this, I was particularly glad to have the opportunity to meet with you today. This gives me an opportunity to renew friendships, to get up-to-date on your thinking, and to offer to you the facilities of the Wholesalers and Retailers Branch of the Food Distribution Administration. I offer you our sincere and wholehearted cooperation in the solving of your problems, and I urge you to call upon us whenever we can be of help.

I should also like to point out that we do not believe that action in Washington is the only solution to many of your problems. The Food Distribution Administration has already demonstrated its belief in your ability to handle many troublesome situations at the local level. Specific evidence of our reliance upon your experience and knowledge is found in our establishment of State and local food industry committees to deal with local food shortages. Your association has given splendid cooperation, and you as individuals are giving generously of your time and energy. You will find our regional staff eager to help you in any way possible. We have highly competent men in the regions. Get acquainted with them, work with them. The wholesale grocer, the Food Distribution Administration, and the Nation will benefit. This is an opportunity to deal promptly with local food shortages, and to prevent their recurrence. When the cause of these shortages cannot be dealt with locally, then we in Washington stand ready to take the ball and finish the play. But we certainly don't want to step in until you have had the opportunity to put your experience and ability to work.

We expect to put this plan of local action into operation wherever and whenever possible. We are committed to the belief that American ingenuity and determination can be just as effective on the home front as on the fighting front.

You as business men are undoubtedly concerned with the problem of carrying on your business operations during a war so that you can emerge solvent and with an effective organization at the conclusion of the war. As one who has spent many years in the food business, I can well understand your concern. At the same time, let us not lose sight of our major objective--winning the war. A solvent business in a vanquished Nation would be meaningless. We cannot put individual gain above the Nation's safety.

